

Message Text

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ORIGIN COME-00

INFO OCT-01 CIAE-00 DODE-00 EB-07 NRC-05 NSAE-00 TRSE-00

EUR-12 ERDA-05 ISO-00 ACDA-05 MC-02 /037 R

DRAFTED BY COM/OEA/LJBRADY:DJK

APPROVED BY EB/ITP/EWT/RWRIGHT

COMMERCE - FRIGGS

COMMERCE - ADOWNEY

SOV - MR. COLBERT

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FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW IMMEDIATE

C O N F I D E N T I A L STATE 272080

EXCON

E.O. 11652: GDS 1

TAGS: ESTC, UR

SUBJECT:DENIAL OF IBM EXPORT LICENSE APPLICATION FOR
RESERVATION SYSTEM FOR INTOURIST

REF: STATE 271023

L1. THE FOLLOWING IS A CHRONOLOGY OF RECENT EVENTS RE
SUBJECT APPLICATION. THE EARB MET SEPTEMBER 23, 1975,
AND AGREED ON DENIAL BUT POSTPONED DECISION UNTIL DEPUTY
SECRETARY INGERSOLL COULD REVIEW STATE POSITION. ON
OCTOBER 30, SECRETARY KISSINGER (NSC) CONCURRED IN EARB
DECISION. IBM NOTIFIED OF DENIAL ON NOVEMBER 7 BY
DAS DOWNEY. ON FRIDAY, NOVEMBER 14, DAS DOWNEY INFORMED
SERGEY A. MKRTUMOV, USSR TRADE REPRESENTATIVE, THAT
APPLICATION HAD BEEN DENIED.

2. COMMERCE UNDERSTANDS IBM REPS WILL CONTACT INTOURIST
WEEK OF 11/17 TO DISCUSS POSSIBLE ALTERNATIVE SMALLER
COMPUTER SYSTEM AND MAY REQUEST EMBASSY OFFICER BE PRESENT
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AT MEETING. WE OF COURSE CONSIDER EMBASSY'S PARTICIPATION

APPROPRIATE.

3. FOLLOWING REASONS GIVEN BY DOWNEY TO MKRTUMOV FOR DENIAL:

A. COMPUTERS ARE UNDER STRICT EXPORT CONTROL TO EASTERN EUROPE AND THE SOVIET UNION. EXCEPTIONS TO THE DENIAL PRESUMPTION ARE MADE WHEN ADEQUATE ASSURANCE AGAINST UNAUTHORIZED USE EXISTS. THIS IS A LARGE AND SOPHISTICATED SYSTEM WITH SIGNIFICANT MILITARY/STRATEGIC/INTELLIGENCE APPLICATION POSSIBILITIES. IN THIS INSTANCE WE DETERMINED THAT THE SYSTEM COULD NOT BE ADEQUATELY SAFEGUARDED AGAINST UNAUTHORIZED USE. THIS SYSTEM'S MEMORY BANK IS SEVERAL TIMES LARGER THAN ANY SYSTEM PREVIOUSLY APPROVED.

B. THE DECISION WAS LONG DELAYED BECAUSE THE GOVERNMENT WAS SYMPATHETIC TO THE INTOURIST PROBLEM AND HOPED TO FIND A WAY TO SAFEGUARD AGAINST WHAT WE CONSIDER TO BE ANY RISK OF DIVERSION. A SPECIAL INTERAGENCY TECHNICAL PANEL STUDIED THE PROBLEM IN DEPTH OVER MANY MONTHS IN A FRUITLESS ATTEMPT TO FIND SATISFACTORY SOLUTION.

C. THIS DENIAL DOES NOT REPRESENT A CHANGE IN U.S. ATTITUDE TOWARD TRADE IN COMPUTERS AND OTHER HIGH TECHNOLOGY ITEMS AND THAT IT IN NO WAY SHOULD BE CONSTRUED AS A CHANGE IN POLICY. DAS DOWNEY NOTED THAT WE HAD APPROVED THREE MAJOR COMPUTERS SYSTEMS EARLIER (KAMA, AEROFLOT, AIR TRAFFIC CONTROL SYSTEM).

D. THE DECISION DOES NOT REFLECT ON EITHER IBM'S COMPETENCE IN THE FIELD OF COMPUTERS NOR ITS AGGRESSIVE AND ACTIVE ATTEMPTS TO GET THE LICENSE APPROVED. IBM DID EVERYTHING POSSIBLE TO GET A FAVORABLE DECISION AND WAS SUCCESSFUL IN ESCALATING THE CASE TO THE HIGHEST LEVELS OF GOVERNMENT.

4. MKRTUMOV EXPRESSED DISAPPOINTMENT AND STRESSED THE DIFFICULTY OF TRADING IN THE COMPUTER AREA. DAS DOWNEY INDICATED THAT USG ACTION SHOULD BE VIEWED IN CONTEXT
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THAT WE HAD APPROVED THREE ABOVEMENTIONED LARGE COMPUTER SYSTEMS EARLIER THIS YEAR AND THAT THIS WAS FIRST DENIAL. MKRTUMOV PRESSED ISSUE OF WHO MADE FINAL DECISION AND ASKED IF PRESIDENT KNEW OF DECISION. DOWNEY REPLIED WHITE HOUSE KNEW. RE POSSIBILITY OF NOT SAFEGUARDING SYSTEM ADEQUATELY AGAINST UNAUTHORIZED USE, MKRTUMOV ASKED IF DECISION MADE BEFORE RECEIPT OF LETTER OF ASSURANCE FROM INTOURIST TO IBM. DOWNEY SAID DECISION MADE BEFORE LETTER

SEEN BUT THAT IT PROBABLY WOULD NOT HAVE MADE ANY
SIGNIFICANT CHANGE IN DECISION AS INFO IN LETTER DID NOT
GO BEYOND WHAT WAS ALREADY AVAILABLE IN END USE STATEMENT.

5. COPY OF MEMCON OF DOWNEY-MKRTUMOV MEETING BEING AIR
POUCHED. INGERSOLL

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Message Attributes

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Draft Date: 17 NOV 1975
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Disposition Authority: GarlanWA
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Margaret P. Grafeld
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